

## **EXHIBIT 1**

### **INTRODUCTION**

Respondent Committee for Proposition A, The Rural Lands Initiative (“Committee”), was a ballot measure committee primarily formed to support the passage of Proposition A in San Diego County in the March 2, 2004, primary election. Respondent Judith Sakrison was the Committee’s treasurer at all times relevant to this matter. Proposition A did not pass.

This matter arose from a complaint filed by the No on A Committee, on February 18, 2004. Prior to the March 2, 2004, primary election, Respondents paid for the production and airtime for two television advertisements in support of Proposition A. When these advertisements originally aired, the advertisements did not include complete disclosure statements, in violation of the Political Reform Act (the “Act”).<sup>1</sup>

Also under the Act, Respondents were required to file specific campaign statements and to disclose on those campaign statements the street address, occupation and employer for each individual who made contributions or loans of \$100 or more. Additionally, Respondents were required to maintain records of Respondent Committee’s campaign activity.

In this matter, Respondents failed to maintain required records regarding their campaign activities; failed to disclose street address, occupation and/or employer information for sixty-four (64) contributors on four campaign statements; and failed to include complete disclosure statements required for two television advertisements.

For the purposes of this Stipulation, Respondents’ violations of the Act are stated as follows:

**COUNT 1:** Respondents Committee for Proposition A, The Rural Lands Initiative, and Judith Sakrison, failed to maintain detailed accounts, records, bills, and receipts that were necessary to prepare campaign statements for the reporting periods from January 1 through December 31, 2003, in violation of Section 84104 of the Government Code.

**COUNT 2:** Respondents Committee for Proposition A, The Rural Lands Initiative, and Judith Sakrison, failed to disclose street address, occupation and/or employer information for persons who contributed \$100 or more on a semi-annual campaign statement for the reporting period from June 1 through June 30, 2003, in violation of Section 84211, subdivision (f) of the Government Code.

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<sup>1</sup> The Political Reform Act is contained in Government Code Sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in Sections 18110 through 18997 of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

- COUNT 3:** Respondents Committee for Proposition A, The Rural Lands Initiative, and Judith Sakrison, failed to disclose street address, occupation and/or employer information for persons who contributed or loaned \$100 or more on a semi-annual campaign statement for the reporting period from July 1 through December 31, 2003, in violation of Section 84211, subdivisions (f) and (g) of the Government Code.
- COUNT 4:** Respondents Committee for Proposition A, The Rural Lands Initiative, and Judith Sakrison, failed to disclose street address, occupation and/or employer information for persons who contributed \$100 or more on a pre-election campaign statement for the reporting period from January 18 through February 14, 2004, in violation of Section 84211, subdivision (f) of the Government Code.
- COUNT 5:** In or about February 2004, a television advertisement by Respondents Committee for Proposition A, The Rural Lands Initiative, and Judith Sakrison, which aired from February 16 - 18, 2004, entitled "Yes on Prop A – Farmer," failed to include the required disclosure statement, in violation of Section 84503 of the Government Code.
- COUNT 6:** In or about February 2004, a television advertisement by Respondents Committee for Proposition A, The Rural Lands Initiative, and Judith Sakrison, which aired from February 16 - 18, 2004, entitled "Yes on Prop A – Clean Water," failed to include the required disclosure statement, in violation of Section 84503 of the Government Code.
- COUNT 7:** Respondents Committee for Proposition A, The Rural Lands Initiative, and Judith Sakrison, failed to disclose street address, occupation and/or employer information for persons who contributed \$100 or more on a post-election semi-annual campaign statement for the reporting period from February 15 through June 30, 2004, in violation of Section 84211, subdivision (f) of the Government Code.
- COUNT 8:** Respondents Committee for Proposition A, The Rural Lands Initiative, and Judith Sakrison, failed to maintain detailed accounts, records, bills, and receipts that were necessary to prepare campaign statements for the reporting periods from January 1 through December 31, 2004, in violation of Section 84104 of the Government Code.

## SUMMARY OF THE LAW

An express purpose of the Act, as set forth in Section 81002, subdivision (a), is to ensure that the contributions and expenditures affecting election campaigns are fully and truthfully disclosed to the public, so that voters may be better informed, and improper practices may be inhibited. The Act therefore establishes a comprehensive campaign reporting system and disclosure requirements.

### **Duty to Disclose Contributor Information on Campaign Statements**

Section 84211, subdivision (f) requires a primarily formed ballot measure committee to report on each of its campaign statements the following information about a person if the cumulative amount of contributions received from that person is \$100 or more and a contribution has been received from that person during the reporting period covered by the campaign statement: (1) the contributor's full name; (2) the contributor's street address; (3) the contributor's occupation; (4) the name of the contributor's employer, or if self-employed, the name of the contributor's business; (5) the date and amount of each contribution received from the contributor during the reporting period; and (6) the cumulative amount of contributions received from the contributor. Section 84211, subdivision (g) carries these same requirements for a person if the cumulative amount of loans received from that person is \$100 or more.

### **Duty to Maintain Campaign Records**

To ensure accurate disclosure of campaign activity, Section 84104 requires committees and treasurers to maintain detailed accounts, records, bills, and receipts that are necessary to prepare campaign statements, to establish that campaign statements were properly filed, and to comply with the campaign disclosure provisions of the Act.

For campaign contributions of \$25 or more, Regulation 18401, subdivision (a) requires candidates and controlled committees to maintain in their records the date of each contribution, the amount, and the full name and street address of the contributor, and original source documentation, including all bank statements, copies of contributor checks, contributor cards, cashier's checks, money orders, wire transfers, deposit slips, and any other documents, reflecting all items deposited to any campaign bank account. The accounts and records must also contain the cumulative amount received from the contributor. For campaign contributions received of \$100 or more, the records must contain the contributor's occupation and employer information.

For all campaign expenditures of \$25 or more, Regulation 18401, subdivision (a) requires candidates and their controlled committees to maintain original source documentation containing the date the expenditure was made, the amount of the expenditure, the full name and street address of the payee, and a description of the goods or services for which each expenditure was made. Original source documentation consists of cancelled checks, wire transfers, credit card charge slips, bills, receipts, invoices, statements, vouchers, and any other documents reflecting obligations incurred by the candidate, elected officer, campaign treasurer, or committee, and disbursements made from the campaign bank account.

The above-listed records must be maintained for a period of four years following the date the campaign statement to which they relate is filed. (Regulation 18401, subdivision (b).)

### **Duty to Disclose Major Donors in Television Advertisements**

In February 2004, Section 84503 required disclosure statements regarding the major donors who paid for advertisements. An advertisement was defined in Section 84501, in part, as “any general or public advertisement which is authorized and paid for by a person or committee for the purpose of supporting or opposing a ... ballot measure ....”

Additionally, Section 84503 specifically required that:

- (a) Any advertisement for or against any ballot measure shall include a disclosure statement identifying any person whose cumulative contributions<sup>2</sup> are fifty thousand dollars (\$50,000) or more.
- (b) If there are more than two donors of fifty thousand dollars (\$50,000) or more, the committee is only required to disclose the highest and second highest in that order...

Also, in February 2004, Regulation 18450.4, subdivision (a), stated that where a disclosure statement was required under Section 84503, the following shall apply to the committee that authorized and paid for the video advertisement:

Disclosures required under Government Code Sections 84503 and 84506 shall include the name ... of the \$50,000 contributor or contributors. The disclosure shall explicitly indicate that the contributor or contributors were major donors to the committee by stating, for example, "major funding by" or "paid for by." In the case of a contributor that is a committee pursuant to Government Code Section 82013, subdivision (a), the word "committee" shall be included in the disclosure.

### **Penalties Regarding Television Advertisements**

Administrative penalties for violations of Section 84503 are governed by Chapter 11 of the Act, and by Section 84510. Section 84510, subdivision (a) states:

In addition to the remedies provided for in Chapter 11 (commencing with Section 91000) of this title, any person who violates this article is liable in a civil or administrative action brought by the Commission or any person for a fine up to three times the cost of the advertisement, including placement costs.

Thus, the Commission has discretion to seek administrative penalties of up to three times the amount of the cost of a television advertisement that does not have the proper disclosure.

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<sup>2</sup> In February 2004, Section 84502 defined cumulative contributions as “the cumulative contributions to a committee beginning the first day the statement of organization is filed under Section 84101 and ending within seven days of the time the advertisement is sent to the printer or broadcast station.”

required by Section 84503. Section 84510 became part of the Act following the adoption of Proposition 208 by the voters of California.<sup>3</sup>

### **Treasurer Liability**

Section 81004, subdivision (b), Section 84100, and Regulation 18427, subdivision (a), require a committee's treasurer to ensure that the committee complies with the requirements of the Act concerning the receipt and expenditure of funds, and the reporting of such funds. A committee's treasurer may be held jointly liable, along with the committee, for any reporting violations committed by the committee. (Sections 83116.5, 91006.)

### **SUMMARY OF THE FACTS**

Proposition A was on the ballot in the March 2, 2004, primary election, in San Diego County. Respondent Committee for Proposition A, The Rural Lands Initiative (Respondent "Committee"), was a ballot measure committee primarily formed to support the passage of Proposition A. At all relevant times, Respondent Judith Sakrison was Respondent Committee's treasurer. Proposition A did not pass.

Respondent Committee filed a statement of organization on June 6, 2003, with the San Diego County Registrar of Voters, and began filing required semi-annual and pre-election campaign statements thereafter. The total reported contributions received for Respondent Committee was \$1,151,796. The total reported expenditures made for Respondent Committee was \$1,172,760.

In February 2004, prior to the March 2, 2004, primary election, Respondents paid a total of \$489,000.00 for the production and airtime of two television advertisements entitled "Yes on Prop A - Farmer" and "Yes on Prop A – Clean Water." These two television advertisements aired in San Diego County from February 16 through March 1, 2004.

A review of Respondent Committee's timely filed campaign statements and reports for reporting periods between June 1, 2003, and February 14, 2004, show that at as of February 9, 2004, the Committee had three donors who had cumulative contributions of \$50,000 or more:

<b>Contributor</b>	<b>Total Contributions before Advertisements</b>
Linda Frazee	\$412,721
Daniel Brimm	\$111,500
Save Our Forests and Ranchlands	\$85,182

When Respondent Committee's advertisements originally aired on February 16, 2004, each included a written disclosure statement at the end which stated, "Paid for by The Rural

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<sup>3</sup> Section 84510 was not affected by court decisions involving the constitutionality of several provisions of Proposition 208 (See, for example, *Californians For Political Reform Foundation v. FPPC* (1998) 61 Cal.App.4<sup>th</sup> 472; *California Republican Party, et al., v. FPPC, et al.* (D. Cal. 2004) 2004 U.S. Dist. Lexis 22160).

Lands Initiative Committee for Prop A.” Pursuant to Section 84503 and Regulation 18450.4, the Committee was required to disclose not only the name of Respondent Committee, but also the highest and second highest donors, in that order, who gave \$50,000 or more to Respondent Committee. Thus, the disclosure statement was incomplete - the disclosure statements in the advertisements should have also included the names of Linda Frazee and Daniel Brimm, in that order.

Respondent Committee’s television advertisements with incomplete disclosures aired for three days, out of the 14 total days on which the advertisements aired in San Diego County. On February 19, 2004, without having had any contact with the Enforcement Division, the Committee corrected the advertisements to comply with the Act. Thus, as of February 19, 2004, and through March 1, 2004, the disclosure statements read, “Paid for by Linda Frazee, Daniel Brimm and The Rural Lands Initiative Committee for Prop A.”

On February 18, 2004, the Enforcement Division received a complaint against Respondent Committee. The Complaint alleged that Respondent Committee’s television advertisements included incomplete disclosure statements. During the investigation, the Enforcement Division contacted Respondent Sakrison to obtain Respondent Committee’s campaign records. Respondent Sakrison timely provided some of the records requested, however, she also indicated that some of the campaign records were not in her possession and could not be located. Additionally, upon review of Respondent Committee’s campaign statements, the Enforcement Division discovered that the street address, occupation, and/or employment information was not included for several contributors.

By failing to properly maintain campaign records, disclose contributor information on campaign statements, and disclose the major donors on two television advertisements, Respondents committed eight violations of the Act, as follows:

**Counts 1 and 8**

(Failure to Maintain Campaign Records)

Pursuant to section 84104 and regulation 18401, subdivision (a), Respondents had a duty to maintain detailed information and original source documentation for each contribution of \$25 or more and for each expenditure of \$25 or more. Respondents failed to maintain these required records for contributions and expenditures reported on campaign statements filed for reporting periods from January 1, 2003, through December 31, 2004.

By failing to maintain required campaign records, Respondents violated Government Code Section 84104.

**Counts 2, 3, 4, and 7**

(Failure to Disclose Required Contributor Information)

Respondents had a duty to disclose street address, occupation and employer information for persons who contributed \$100 or more in a calendar year. However, Respondents failed to disclose street address, occupation and/or employer information for sixty-four (64) persons over

the following four reporting periods: June 1 – 30, 2003; July 1 – December 31, 2003; January 18 – February 14, 2004; and February 15 – June 30, 2004. The total amount of contributions made by these sixty-four (64) individuals was \$83,630, which is 7% of the total contributions received by Respondent Committee. By failing to disclose required contributor information for contributions and loans of \$100 or more, Respondents violated Government Code Section 84211, subdivisions (f) and (g).

It should be noted that the Late Contribution Reporting Period for the March 2, 2004, primary election was February 15 – March 1, 2004. Eight (8) of the persons whose information was not disclosed by Respondents contributed \$1,000 or more during the late contribution period. Respondents properly reported these contributions on late contribution reports. However, the same address, occupation and/or employer information was missing.

### **Counts 5 and 6**

(Failure to Disclose Two Highest Major Donors in Television Advertisement)

Pursuant to Section 84503 and Regulation 18450.4, Respondents had a duty to disclose the highest and second highest donors, in that order, who gave \$50,000 or more to Respondent Committee. Thus, the disclosure statements in the advertisements should have included the names of Linda Frazee and Daniel Brimm, in that order. However, when the advertisements originally aired from February 16, through February 19, 2004, each included a written disclosure statement at the end which stated, “Paid for by The Rural Lands Initiative Committee for Prop A.” By failing to also disclose the major donors, Respondents violated Government Code Section 84503.

## **CONCLUSION**

This matter consists of eight (8) counts of violating the Act. Counts 1, 2, 3, 4, 7, and 8 carry a maximum administrative penalty of thirty thousand dollars (\$30,000), which is five thousand dollars (\$5,000) per violation. Counts 5 and 6 carry a maximum administrative penalty of one million four hundred sixty-seven thousand dollars (\$1,467,000), which is three times the amount the total cost of the television advertisements as authorized by Government Code Section 84510. Thus, the total maximum penalty for this case is one million four hundred ninety-seven thousand dollars (\$1,497,000).

Regarding Counts 1 and 8, administrative penalties for recordkeeping violations have historically ranged from the low to high end of the penalty range, depending on the circumstances. In this matter, Respondents ran a large campaign in support of Proposition A. However, Respondents cooperated with the investigation of this case, despite failing to provide complete campaign records. Additionally, this campaign was only active for the March 2, 2004, primary election, and Respondents have no prior history of enforcement actions against them. Therefore, imposition of an administrative penalty in the amount of one thousand five hundred dollars (\$1,500) per violation is appropriate.

Regarding Counts 2, 3, 4, and 7, the stipulated administrative penalty for failing to disclose contributor information has ranged from \$1,000 to \$2,000. In this matter, Respondents were required to provide street address, occupation and employer information for one contributor of \$100 or more in the June 1 through June 30, 2003, reporting period, for fifteen (15) contributors and lenders of \$100 or more in the July 1 through December 31, 2003, reporting period, for thirty-one (31) contributors of \$100 or more in the January 18 through February 14, 2004, reporting period, and for seventeen (17) contributors of \$100 or more in the February 15 through June 30, 2004, reporting period. To date, Respondents have not disclosed the required information for those sixty-four (64) contributors. However, the undisclosed information concerned only 7% of Respondent Committee's total contributions received. Thus, an administrative penalty of one thousand dollars (\$1,000) for each of these violations is appropriate.

Regarding Counts 5 and 6, the failure to include the proper disclosure statements on television advertisements deprives the public of important information regarding the sponsors of political advertisements. Because there are no prior enforcement matters that address this requirement, there is no typical stipulated administrative penalty range for failing to include the proper disclosure statement on an advertisement.

For Section 84503 violations, Section 84510 authorizes the Commission to seek, in its discretion, administrative penalties of up to three times the amount of the cost of the advertisement. This is the only instance in the Act in which the Commission has the authority to seek treble damages for an administrative penalty. Thus, in the statutory scheme of the Act, violations of the advertisement disclosure laws are serious offenses.

However, the facts of this case do not warrant consideration of a treble damages penalty. The advertisements in this case originally aired with incomplete disclosure statements which contained the full name of Respondent Committee. Respondent Committee timely filed all campaign statements, and the information regarding the major donors to Respondent Committee was properly reported in those campaign statements. Additionally, Respondents recognized the error without contact by the Enforcement Division, and the disclosure error was quickly and voluntarily corrected by Respondents. The correction occurred well in advance of the election date, with the advertisements with incomplete disclosure statements running for only three days, while the advertisements with complete and full disclosure ran for eleven days. Respondents have fully cooperated with the Enforcement Division in this matter, and the public harm due to the incomplete disclosure statements was minimal. Therefore, this case is not suitable for imposition of treble damages. Rather, imposition of an administrative penalty of two thousand dollars (\$2,000) is appropriate for each of these violations.

The facts of this case justify imposition of the agreed upon penalty of Eleven Thousand Dollars (\$11,000).